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Wake up, America

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You might think that Europe's economic turmoil would inject a note of urgency into America's budget debate. After all, high government deficits and debt are the roots of Europe's problems, and these same problems afflict the United States. But no. Most Americans, starting with the nation's political leaders, dismiss what's happening in Europe as a continental drama with little relevance to them.

What Americans resolutely avoid is a realistic debate about the desirable role of government. How big should it be? Should it favor the old or the young? Will social spending crowd out defense spending? Will larger government dampen economic growth through higher deficits or taxes? No one engages this debate, because if rigorously conducted, it would disappoint both liberals and conservatives.

Confronted with huge spending increases -- reflecting an aging population and soaring health costs -- liberals would have to concede that benefits and spending ought to be reduced. Seeing that total government spending would rise even after these cuts (more people would receive benefits, even if benefit levels fell), conservatives would have to concede the need for higher taxes. On both left and right, true believers would howl.

The lack of seriousness is defined by three missing words: "balance the budget." These words are taboo. In February, President Obama created a National Commission on Fiscal Responsibility and Reform (call it the Deficit Commission). Its charge is to propose measures that would reduce the deficit to the level of "interest payments on the debt" by 2015 so as "to stabilize the debt-to-GDP ratio at an acceptable level."

Understand? No? Well, you're not supposed to. All the mumbo jumbo about stabilizing "debt to GDP" and according special treatment to interest payments are examples of budget-speak. It's the language of "experts," employed to deaden debate and convince people that "something is being done" when little, or nothing, is being done. For example, Obama's target for 2015 would involve a deficit of about $500 billion, despite an assumed full economic recovery (unemployment: 5.1 percent). The commission is also supposed to "propose recommendations that meaningfully improve the long-run fiscal outlook, including changes to address the growth of entitlement spending," a mushy mandate. But balance the budget? There's no mention.

In a classroom, limiting government debt in relation to GDP can be defended. The idea is to reassure investors (a.k.a. "financial markets") that the debt burden isn't becoming heavier so they will continue lending at low interest rates. But in real life, the logic doesn't work. Governments inevitably face deep recessions, wars or other emergencies that require heavy borrowing. To stabilize debt to GDP, you have to aim much lower than the target in good times, meaning that you should balance the budget (or run modest surpluses) after the economy has recovered from recessions.

Interestingly, Europe's experience discredits debt-to-GDP targets. The 16 countries using the euro were supposed to adhere to a debt target of 60 percent of GDP. Before the financial crisis, the target was widely breached. From 2003 to 2007, Germany's debt averaged 66 percent of GDP, France's 64 percent and Italy's 105 percent of GDP. Once the crisis hit, debt-to-GDP ratios jumped; by 2009, they were 73 percent for Germany, 78 percent for France and 116 percent for Italy.

The virtue of balancing the budget is that it forces people to weigh the benefits of government against the costs. It's a common-sense standard that people intuitively grasp. If the Deficit Commission is serious, it will set a balanced budget in 2020 as a goal, allowing time to phase in benefit cuts and tax increases. It will then invite think tanks (from the Heritage Foundation on the right to the Center on Budget and Policy Priorities on the left) and interest groups (from the Chamber of Commerce to AARP) to present plans to reach that goal. Their competing visions could jump-start a long-overdue debate on government's role.

The odds seem against this. The Deficit Commission may embrace debt-to-GDP targets and aim for a "primary balance" (excluding interest payments) because it's easier politically. Consider: In 2020 the deficit will be $1.254 trillion on spending of $5.67 trillion, projects the Congressional Budget Office. Closing that gap would require steep tax increases or deep spending cuts. But $916 billion of the projected deficit represents interest payments. Ignoring them instantly "solves" three-quarters of the problem.

The message from Europe is that this approach ultimately fails. Intellectually elegant evasions are still evasions. Though financial markets may condone lax government borrowing for years, confidence can shatter unexpectedly. Lenders retreat or insist on punishing interest rates. Market pressures then impel harsh austerity -- benefit cuts or tax increases -- far more brutal than anything governments would have needed to do on their own. We are, by inaction and self-deception, tempting that fate.